

Memorandum

Date : MAR 17 2010

To : Mary Fernandez
Undersecretary Administration

Lori Gillihan
Chief of Support Services

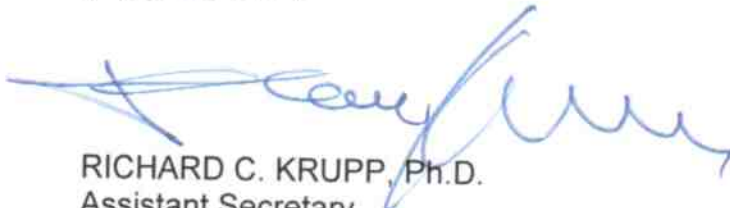
Lee Seale
Deputy Chief of Staff

Subject: **UTILIZATION OF STATE VEHICLES REVIEW – FINAL REPORT**

The California Department of Corrections and Rehabilitation's (CDCR) Office of Audits and Compliance (OAC) performed a review and evaluation of CDCR's internal controls over its State vehicle fleet. The review covered the period of July 1, 2008 through August 31, 2009.

Attached is the final report, which includes the Office of Business Services' (OBS) responses to OAC's recommendations. The OBS is in the process of implementing changes and developing new policies and procedures to address the findings and deficiencies outlined in the report.

We thank you and your staff for their assistance provided during this review. If you have any questions or require additional information regarding the contents of this report, please contact Tim Adams, Supervising Management Auditor, OAC, at (916) 255-2701.



RICHARD C. KRUPP, Ph.D.
Assistant Secretary
Office of Audits and Compliance

Attachment

cc: Tim Adams, OAC

UTILIZATION OF STATE VEHICLE REVIEW



FINAL REPORT

Prepared by:

California Department of Corrections and Rehabilitation
Office of Audits and Compliance
Audits Branch

March 2010

CALIFORNIA DEPARTMENT OF CORRECTIONS AND REHABILITATION'S REVIEW OF STATE VEHICLES

Office of Audits and Compliance
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EXECUTIVE SUMMARY

In September 2008, the California Department of Corrections and Rehabilitation's (CDCR) Executive Office of the Secretary requested the Office of Audits and Compliance (OAC) to perform a review of the home storage permits (HSP) for vehicles assigned to CDCR's employees. The initial scope of the review was to cover CDCR's employees assigned to headquarters. Due to a combination of unreliable data and CDCR's budgetary problems, the review was expanded to cover additional areas. The review was reclassified as a project involving additional staff, and was managed by Mary Fernandez, Undersecretary of Administration. The project's objective was to evaluate the adequacy of the Department's internal controls over the management of CDCR's State vehicles. This report covers OAC's portion of the project.

OAC's COMPSTAT branch and the project team created a vehicle survey to be completed by all CDCR's headquarters' staff. OAC Audits Branch's objectives were to analyze the survey information and reconcile CDCR's headquarters' vehicle inventory to both the Department of General Services' (DGS) leased vehicle inventory, and billings, and CDCR's Asset Management Unit's (AMU) vehicle inventory. The goal was to have an accurate vehicle inventory at a point in time. Additionally, OAC would review the responses to the survey in order to evaluate the adequacy of CDCR's internal controls over the management of the vehicle fleet, the accuracy and reliability of the reporting data, and an assessment of the Department's compliance with the policies, procedures, rules, and regulations covering the leasing of State vehicles.

Based upon OAC's analysis, the internal controls over the management of CDCR's vehicle fleet are weak. Deficiencies were found in the following areas:

CDCR

- The Department does not have written policies and procedures covering the issuance and use of State vehicles, the employee's responsibilities for the use of the vehicle, and the recordkeeping requirements of the employee assigned to the vehicle.
- The controls over the administration of CDCR's vehicle fleet are inadequate to prevent and detect errors and irregularities in a timely manner.
- The recordkeeping and inventory tracking for both CDCR's leased and owned vehicles is inaccurate and unreliable.
- The controls over the issuance, return, and transfer of DGS leased vehicles are unreliable.
- The controls over the tracking and recordkeeping of the HSPs' program, the Undercover Plated Vehicles, and the State of California Fleet Cards (Voyager) are inadequate.
- The controls over the approval and processing of monthly invoices submitted by DGS for vehicle usage, parking spaces, and the Voyager cards are inadequate.

DGS

- Controls are not in place to verify the accuracy of DGS' billings to CDCR for the Department's leased vehicles.

BACKGROUND

The DGS' Office of Fleet and Asset Management (OFAM) takes the lead role in managing the State's transportation strategy. Motor vehicles and general use mobile equipment are subject to OFAM oversight. All State agencies are subject to the DGS' fleet rules. The OFAM provides a variety of services to meet the needs of the State agencies, including: oversight of fleet acquisitions; establishment of fleet policies; collection analysis and reporting of fleet data; periodic assessment of fleet size and composition; control of on-going fleet costs; and monitoring California's compliance with federal alternative fuel vehicle mandates.

CDCR's departmental website indicates that the Office of Business Services' (OBS) AMU is responsible for the oversight of CDCR's property, records, and vehicle management programs. The AMU oversees all of CDCR's State vehicle activities, which includes the transfer from one unit to another, surveying, leasing, undercover license plates, vehicle HSPs, and issuing State Fuel Credit Cards. The AMU is required by DGS to ensure that CDCR follows the DGS' fleet rules and regulations. Additionally, AMU is responsible for providing various annual reports to DGS.

State agencies are responsible for monitoring, approving, and maintaining current vehicle HSPs for the storage of State-owned motor vehicles at or in the vicinity of an employee's home. State agencies and employees are responsible for complying with all laws, rules and regulations governing the home storage of a State motor vehicle, which may result in a taxable event for the employee (Taxable Fringe Benefits). The Internal Revenue Service requires that personal use of a State vehicle (commuting between home and office) be reported as taxable income.

The Voyager card is to be used only for official State business. The Voyager card is provided for each DGS leased vehicle. CDCR is charged \$.30 per mile to cover the costs incurred for each of the leased vehicles. CDCR is required to set-up their Voyager card account for their agency-owned vehicles. It is the responsibility of the CDCR to manage, control, and monitor the use of their Voyager cards, and to investigate misuse.

The project for evaluating CDCR's utilization of State vehicles was managed by Mary Fernandez, Undersecretary of Administration; Lori Gillihan, Chief of Support Services; and Lee Seale, Deputy Chief of Staff. The review and COMPSTAT responsibilities were coordinated by Richard Krupp, Assistant Secretary of OAC.

The goal of the project was to improve the Department's ability to manage its fleet of State vehicles through:

1. Creating and maintaining an accurate inventory database of the CDCR's vehicle fleet.

2. Developing and implementing policies and procedures covering the appropriate use of State vehicles and reporting requirements.
3. Reducing the fleet in accordance with CDCR's core business needs.

The role of OAC was to evaluate CDCR's current management of its fleet.

OBJECTIVES, SCOPE AND METHODOLOGY

In September 2008, the CDCR's Executive Office of the Secretary requested OAC to perform a review of the utilization of State vehicles by CDCR's employees. The scope of the review was limited to employees assigned to CDCR's headquarters' divisions.

The objectives of the review were to:

1. Verify the number of leased and State owned vehicles provided to CDCR's headquarters' employees.
2. Evaluate the soundness of the criteria used for the issuance of State vehicles.
3. Verify that an approved HSP is on file for employees authorized to park their vehicle near or in the vicinity of their residence during non-business hours.
4. Determine whether State vehicles are only used for authorized State business.
5. Verify the accuracy of data within CDCR's State vehicle inventory databases.
6. Evaluate the reliability and integrity of reporting data provided by CDCR's employees using the State issued vehicles.
7. Evaluate the adequacy and effectiveness of internal controls over the issuance of the Voyager gas credit cards and parking spaces assigned to CDCR's employees with State issued vehicles.

During preliminary fieldwork, CDCR's upper management was notified that the data on CDCR's State vehicles was inadequate and unreliable. In order to obtain updated information on CDCR's State vehicles, a survey was developed that was to be completed by all CDCR headquarters' staff via the COMPSTAT Share Point portal. The objectives of the survey's questions were to obtain information necessary to conduct a review and establish baseline inventory data for comparison to the DGS' inventory and billing records.

COMPSTAT released the survey to all headquarters' staff in March 2009 and to the institutions in April 2009, for the purpose of gathering information on vehicles requiring a home storage permit.

In addition to the survey, OAC evaluated CDCR's current management of the vehicle fleet to determine if CDCR was in compliance with the State's rules and regulations. DGS is the lead agency in managing the State's transportation strategy. It is the responsibility of each State agency to abide by the established rules and regulations and to ensure that their agency is in compliance with the rules and regulations.

The areas subject to review included:

- CDCR's departmental fleet management;
- Fleet management within CDCR's divisions;
- Processing of DGS' invoices, Voyager card invoices, and parking permit invoices by CDCR's headquarters' Accounting; and
- Reporting of taxable fringe benefits.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

CDCR's Vehicle Management

CDCR has not established departmental policies and procedures for the Department's fleet management program. Currently, the Department uses the State of California Fleet Handbook prepared by DGS for guidance. It is CDCR's responsibility to abide by the established rules and regulations covering fleet management and to monitor compliance. The Department is responsible for managing CDCR's property, records, and vehicles. Based upon information obtained from CDCR's website, the OBS' AMU is responsible for CDCR's vehicle management program. However, during the review it became evident that CDCR has not provided the resources or established the necessary policies and procedures to allow the AMU to fulfill this responsibility.

OAC discovered that each CDCR division manages their vehicles with little or no guidance or accountability. The CDCR does not require each division to maintain an ongoing vehicle inventory, nor are there any reporting requirements when changes are made to the division's inventory. Some divisions do manage their vehicles properly and have established specific policies to monitor compliance. Currently, each division requests and approves their vehicle leases with little or no oversight by CDCR.

OAC was unable to obtain a current CDCR vehicle inventory for leased or owned vehicles, accurate records for the home storage permit program, a current listing of the undercover plated vehicles, and any written departmental policies or procedures related to vehicle management.

Recommendations:

Establish a CDCR fleet policy containing clear guidelines, laws, rules and regulations, in order to strengthen the internal controls and accountability over the fleet management program. Even though a departmental policy is not required, it would enhance the Department's ability to monitor, track and manage the Department's vehicle fleet.

CDCR should establish a fleet unit within the AMU that is solely responsible for monitoring, approving, and managing all fleet issues for every CDCR division, along with providing training to CDCR staff.

OBS' Response:

OBS states that although CDCR has lacked a central repository of fleet policies and guidelines, the Department has continued to provide clear direction on the proper use of State vehicles. The OBS, in partnership with its stakeholders, is developing statewide policies, procedures, an on-line users' manual and a training plan to address all issues relative to vehicle and HSP policies. OBS met with CDCR's Regulations and Policy Management Branch representatives, who have agreed to add a section dedicated to

vehicles and HSPs to CDCR's Department Operations Manual (DOM). OBS anticipates that this effort will be completed during the current calendar year 2010.

OBS held a briefing on October 26, 2009 entitled "Vehicles; Accomplishments & Opportunities" with the CDCR's Cabinet, which included the following:

- CDCR Centralization of Vehicle Management;
- Creation of a Clean "Self-Service" Vehicle Inventory Database;
- Establishing an accurate statewide HSP inventory; and
- Developing and Implementing a Statewide Training Program.

As a result of the October presentation, OBS was assigned the responsibility to establish a centralized unit to oversee CDCR's vehicle fleet and HSPs. OBS claims that they developed a corrective action plan and has redirected 14 positions to complete the following tasks this calendar year:

- Establish a centralized fleet unit;
- Collect vehicle and HSP data statewide;
- Reconcile vehicle and HSP data with DGS;
- Develop and publish policies and procedures for statewide application;
- Create user's manual; and
- Conduct necessary training.

OAC's Comments:

Based upon the establishment of a centralized fleet unit within the AMU and the development of statewide policies, procedures, and training for CDCR's fleet OAC concurs with OBS' response, with the understanding that OAC will perform a follow-up review to evaluate the adequacy of OBS' corrective actions taken.

Reconciliation of the Survey Results with DGS Leased Vehicle Inventory and AMU Owned Vehicle Inventory

On May 29, 2009, OAC received the final results of the March 2009 vehicle survey from COMPSTAT. The survey included leased and owned vehicles for both headquarters' and institutions' vehicles with a HSP. The survey was compared to the DGS' leased vehicle inventory for January 2009 and the AMU's owned vehicle inventory records. The survey contained 2,714 viable responses once the duplicate and erroneous responses were deleted. The table below provides a breakdown of the survey results:

Survey Results

| Number | Survey Responses |
|--------------|--|
| 82 | Owned Vehicles (71 matched inventories, 11 no match to inventory). |
| 36 | Vehicles were daily DGS rentals. |
| 2,539 | Matched DGS January 2009 inventory. |
| 52 | Matched DGS June 2009 inventory (vehicle assigned between Jan-June). |
| 5 | Matched DGS monthly invoices only (assigned between Feb-May only). |
| 2,714 | Total Survey Responses |

The CDCR owned vehicle inventory report received from AMU was inaccurate, in that it also included vehicles that were leased. Also, the survey did not include all of CDCR's owned vehicle fleet. The auditor was able to match 71 vehicles to the inventory, and 11 other vehicles were verified as owned based upon equipment numbers or other identifying information.

DGS' leased vehicle inventory was compared to the survey results to determine if all of the vehicles listed on the leased vehicle inventory were accounted for in the survey, and if there were any discrepancies in the billing codes, assigned drivers, and assigned divisions.

The monthly DGS invoices covering the period of the survey were reviewed. Thirty-six vehicles reported in the survey were actually daily DGS rentals, which would not have been included in the DGS inventory.

The DGS inventory for January 2009 showed CDCR with 3,055 leased vehicles. The inventory includes 96 vehicles that were not reported on the survey. The 96 vehicles are assigned to Adult Institutions (13), Division of Juvenile Justice (DJJ) Facilities (11), Community Correctional Facilities (CCF) (27), and Transportation (45). The following is a breakdown of the results of the reconciliation:

DGS Inventory (January 2009) Reconciliation

| Number | No Response | Comments |
|--------------|-------------|---|
| 2,539 | | Matched survey. |
| 96 | | Not included in the survey (Inst., DJJ Fac., CCF & Transportation). |
| 420 | | No match to survey. |
| | 306 | Included in June 2009 DGS Inventory. |
| | 114 | Not included in June 2009 DGS Inventory (rtnd between 1/09 – 3/09). |
| 3,055 | | Total vehicles in January 2009 DGS Inventory |

There were no responses in the survey for 420 vehicles listed in the inventory. In order to determine whether the assigned drivers did not respond to the survey or if CDCR was actually in possession of those vehicles, the 420 vehicles were compared to the current DGS inventory for June 2009. There were 114 vehicles that were not included in the June 2009 inventory, which indicates that the vehicles were returned to DGS between January 2009 and March 2009 (survey date). The remaining 306 vehicles (420 less 114) were compared to the June 2009 mileage reports to determine if these vehicles were currently assigned to CDCR.

There were 40 vehicles that did not report any mileage for June 2009. The assigned driver or assigned division was contacted to determine if CDCR was in possession of the vehicle, and who the current assigned driver was. Results were: 29 vehicles are still assigned because the drivers failed to submit their mileage log as required and 11 vehicles had been returned to DGS between January and June 2009. OAC is working with the DGS' fleet management to clear up the discrepancy so that CDCR can be credited for the overcharges.

Recommendation:

Upon establishing a fleet unit within AMU, AMU should designate within each CDCR division a contact person responsible for maintaining an on-going inventory and documenting any changes to the assigned vehicles. The information should include new leases, new purchases, returned vehicles, transfer of vehicles, changes in drivers, billing codes, etc. The updates for each division's inventory should be reported to AMU on a monthly basis, which would assist AMU's monitoring efforts by providing the most current information for each CDCR vehicle. Additionally, AMU should work with DGS on a monthly basis for any updates to their vehicle inventory listing.

OBS' Response:

OBS states that the policies and procedures being developed includes a "contact person within each CDCR division responsible for maintaining an on-going inventory" of assigned vehicles. A critical element to the training curriculum being developed is specifically for the single points of contact, which explains their roles and responsibilities.

As part of CDCR's effort to ensure vehicles within its fleet meet optimum utilization, a memorandum was issued on January 4, 2010 (attached) providing clear direction on the importance and associated due dates for completion of the Passenger Vehicle Usage Report. This data is submitted to DGS every 6 months and is used internally to evaluate vehicle usage. In connection with that effort CDCR recently transferred 91 vehicles to DGS and has surveyed an additional 263 vehicles to be transferred in the future.

Additionally, OBS claims that the corrective action plan includes a CDCR vehicle inventory reconciliation with DGS' Fleet Asset Management System, which will be completed this calendar year. Once the reconciliation is complete it will be the responsibility of programs and institutions to update their portions of the inventory monthly.

OAC's Comments:

OBS' response does not address OAC's recommendation regarding updating their DGS vehicle inventory on a monthly basis. OAC concurs with the other recommendations in OBS' response, and will perform a follow-up review to evaluate the adequacy of OBS' corrective actions taken.

DGS' Leased Vehicle Invoices

Each month, DGS submits invoices to CDCR's headquarters' Accounting for the Department's leased vehicle expenses. The DGS charges are processed electronically through a State Controller's Office journal entry; however, the invoice is not approved by CDCR prior to payment or transfer of the funds. CDCR's Accounting office does not forward a copy of the charges to the specific divisions, which are listed by its billing code divisions, unless it is requested by the divisions.

The DGS' monthly invoices for Fleet contains the following information:

Monthly charges for vehicles assigned to a specific driver and division. The charges include the monthly lease cost plus \$.30 per mile driven.

Daily rental charges for vehicles rented from the State garages for one or more days. The charge includes the daily cost plus \$.30 per mile and is charged to CDCR when the vehicle is returned to the garage. The rental charges are billed in the month the vehicle is returned.

No log charges to the assigned drivers who fail to report their monthly mileage or report late. CDCR is billed \$50 by DGS in addition to the monthly lease cost. When the driver finally does report the mileage, CDCR is billed \$.30 per mile for the mileage reported.

Normal maintenance and repair charges for the leased vehicles are included in the lease cost. Whenever additional repairs, damages (driver's fault), or alterations (i.e. tinted windows, cages, etc.) are made to the vehicles, CDCR is charged for those costs. DGS has a list of individual CDCR employees who have returned their vehicles damaged or in filthy condition, which results in CDCR being charged to clean or repair the vehicles.

Approximately 75 percent of the leased vehicles are assigned to the Division of Adult Parole Operations (DAPO). DGS stated that there were numerous incidences of DAPO staff refusing the available vehicles and requesting a daily rental until the time an acceptable vehicle was available. The DAPO staff kept the daily rentals for extended periods of time causing CDCR to incur higher costs. For example, the monthly lease cost varies between \$280 and \$420 per month plus mileage, while a daily rental car varies between \$20 and \$45 per day plus mileage.

As part of the lease agreement the assigned drivers are required to submit the monthly mileage reports for their assigned vehicles online to DGS by the 5th working day of the following month. If the report is not submitted by the 5th working day a late fee of \$50 is incurred. An average of \$8,500 is charged to CDCR monthly for the "no log" late fees. For the month of December 2008 the no log charges totaled \$7,500 (150 x \$50) and for the month of May 2009 the no log charges totaled \$9,800 (196 x \$50).

During the review it was discovered that DGS was billing CDCR for vehicles that had been returned to the State garages. In addition, based upon the review of the billing process, there were other incorrect charges to CDCR for leased vehicles. OAC is working with DGS to rectify the erroneous charges.

Recommendations:

Each division, which is designated by a billing code, should monitor and verify the accuracy of the DGS charges each month against their division, and any discrepancies should be reported to AMU. AMU should establish an on going relationship with DGS to correct any discrepancies or changes to CDCR's leased vehicles. The assigned driver should be held accountable for any additional charges due to their negligence or failure to follow the reporting requirements and their supervisor should be informed.

A procedure for monitoring the daily rental extended usage should be created to ensure that CDCR does not incur high daily rental costs.

OBS' Response:

OBS states that the policies, procedures, and training being developed will include the roles and responsibilities regarding proper invoice review and approval.

OAC's Comments:

OBS' response does not address the daily rental extended usage. OAC concurs with OBS' response in that the development of CDCR's policies, procedures, and training will include proper invoice review and approval. OAC will perform a follow-up review to evaluate the adequacy of OBS' corrective action taken.

HSPs

The State Administrative Manual (SAM) requires that the storage of State-owned vehicles at an employee's residence on a regular basis must have an approved vehicle Home Storage Permit, STD. 477, on file within the employee's department. Each State agency is responsible for monitoring, approving, and maintaining an inventory of current HSPs. The HSPs are completed by the employees, submitted to their supervisors for approval and forwarded to AMU for departmental approval. It is the State agency and employee's responsibility to comply with all laws, rules, and regulations governing the home storage of a State vehicle, which may result in a taxable event for the employee. The permits must be renewed annually. The DGS' OFAM requires an annual report from State agencies accounting for all HSPs. CDCR's HSP's program is managed by AMU.

The AMU maintains a separate database to track the HSPs. OAC discovered that AMU had hundreds of HSPs pending approval for input into the database. AMU was unable to account for the number of pending HSPs. OAC was provided a copy of the

database. The database includes the beginning and ending dates, fiscal year, permit number, prior permit number, employee name, title, division, office and home address. The database listed 1,723 HSPs that had been issued between June 18, 2007 and September 2, 2009, of which only 1,570 were valid as of March 1, 2009. AMU submitted the annual report to DGS reporting that CDCR had 2,250 HSPs for fiscal year 2008/09. AMU's database does not support the reported number of HSPs. Additionally, the survey results (March 2009) showed 2,574 vehicles stored at home; however, only 2,186 employees reported that they had a HSP. The survey results further support the fact that the AMU's database does not support the information submitted to DGS on the annual report and that AMU is not properly managing the HSP's program.

DAPO Policy No. 06-06, "Clarifying Policy on Determining the Residence to Office Distance Limit Pertaining to Parole Agents with Assigned State Vehicles," states on its current Memorandum of Understanding (MOU) that all parole agents residences should be within 40 miles of their office except for San Mateo, San Francisco, Monterey, Alameda, Santa Clara, and Los Angeles counties, which should be within 65 miles of their office. The office distance requirement is determined "as the crow flies" and not actual miles driven.

Upon analysis of the survey data and the database for HSPs, it was determined that many employees with HSPs were not in compliance with the DAPO policy. As a result, CDCR is incurring high monetary expenses for mileage commuting costs that could be reduced or eliminated. The DAPO policy should be applied to all CDCR employees with assigned vehicles.

The CDCR does not have policies or procedures to ensure that the divisions are in compliance with the laws, rules, and regulations governing the HSP's program. Additionally, AMU has reported an unsupported number of HSPs to DGS.

Recommendation:

CDCR should establish policies and procedures for the HSP's program to ensure compliance with State laws, rules, and regulations. The AMU should ensure that a HSP is not issued until it meets compliance with the new CDCR policies and procedures.

OBS' Response:

OBS states that in Secretary Matt Cate's memorandum of July 16, 2009 (attached) it is CDCR's policy: "...to authorize the home storage of State vehicles only when permitted by law and supported by the best interest of the State and CDCR: as provided for in the CCR [California Code of Regulations], Title 2."

These policies were reiterated in a similar memorandum from Undersecretary Mary Fernandez, dated January 6, 2010 (attached) in that CDCR was directed to provide OBS with copies of all HSPs to ensure that CDCR is in compliance with CCR,

Title 2, Section 599.808, which states in part: "...permits will be available for review by the Department of General Services."

Currently, OBS in partnership with other stakeholders is developing additional CDCR policies and procedures specifically addressing all issues relative to HSPs, which shall be incorporated in the CDCR's DOM.

Additionally, OBS will also develop an on-line "one stop shop" for CDCR employees, which will be an on demand source of information, training, and related forms.

OBS states that they expect to be completed this calendar year 2010.

OAC's Comments:

OAC concurs with OBS' response, but will perform a follow-up review to evaluate the adequacy of OBS' corrective actions taken.

Voyager Fleet Card Usage for Owned Vehicles

The Voyager fleet card is to be used only for official State business expenses, such as the purchase of regular unleaded fuel or alternate fuel, emergency purchases, 24-hour emergency roadside service, two basic car washes per month, and oil change services at Jiffy Lube. Voyager cards cannot be used for personal vehicles. For agency-owned vehicles, each State agency is required to set-up their Voyager fleet card accounts. It is the responsibility of the agencies to manage, control, and monitor the use of their Voyager cards, and to investigate misuse. AMU is responsible for the management of CDCR's Voyager fleet cards.

OAC obtained a list of active and cancelled cards from AMU in May 2009, and compared the Voyager invoices for December 2008 and March 2009 to the lists. OAC found that there was ten cards on the AMU cancelled card report that showed usage in December 2008 or March 2009. Inquires were made as to the date of cancellation to evaluate the accuracy of the AMU report and status of those cancelled cards. Four cards were cancelled on May 18, 2009, two cards were lost as of April 29, 2009, two cards were no longer needed as of March 30, 2009, and two cards the assigned unit could not identify the card user. The two cards that were lost and the two cards in which the user could not be identified were used for gasoline purchases in March 2009. These four cards need to be followed-up on to ensure that they were properly cancelled. The cards are:

| Acct ID | Card ID | Division | Reason for Monitoring |
|-----------|---------|-------------------|---|
| 869013128 | 000007 | DJJ | Could not determine user, card used 3/23/09 |
| 869013128 | 000065 | DJJ | Could not determine user, card used 3/19/09 |
| 869015016 | 000346 | Inmate Day Labor | Card lost, card used 3/11/09 |
| 869015206 | 000102 | Admin-Health Care | Card lost, card used 3/12/09 |

The invoices for December 2008 and March 2009 were reviewed to determine if there was any improper usage of the Voyager cards. The invoices reflected that there were several purchases of higher grade of fuel, and one specific card (#869013128-000065) was used exclusively to purchase a higher grade of fuel. Additionally, this card is included above as needing to be followed up on. OAC did not find any other improper use of the Voyager cards.

The Voyager invoices are submitted to CDCR's Accounting and processed for payment. The Accounting Office does not require the divisions to verify the accuracy of the charges. OAC could not identify any process or procedure within CDCR for monitoring the proper use of the Voyager cards.

Recommendation:

CDCR's Accounting Office should establish a policy or procedure for the divisions using the Voyager cards, and verify the accuracy of monthly charges prior to payment of the invoices.

OBS' Response:

OBS states that CDCR's Accounting Office is working with Voyager to try to obtain electronic copies of the invoices to be able to accomplish the following:

- Prompt payment of Voyager billings;
- Electronic billing from Voyager to provide online access to more closely monitor charges; and
- Electronic Voyager invoices will be sent to appropriate facilities, institutions, and programs for quick review and verification of charges.

Additionally, invoice review and approval will also be addressed in the statewide training referenced previously.

OAC's Comments:

OAC found during the review that CDCR's Accounting Office already has the ability to access the Voyager billings electronically. The review of the invoices for accuracy prior to approving the payment of the invoices is the responsibility of the Accounting Office. OAC does concur with OBS' response regarding addressing the review and approval process in the statewide training, and will perform a follow-up review to evaluate the adequacy of OBS' corrective actions taken.

Voyager Card Usage for Leased Vehicles

Each DGS leased vehicle includes a Voyager fleet card, which is to be used only for that assigned vehicle. CDCR is charged \$.30 per mile plus the monthly lease cost. Any unauthorized charges on the fleet cards will be charged back to the State agency. The

Voyager card usage is monitored by DGS. These billings are not reviewed or approved by CDCR.

DGS monitors the Voyager invoices for the leased vehicles. DGS produces and reviews an exception report. The exception report includes multiple fuel purchases per day, fuel purchases over the capacity of the vehicle, and various other unusual charges. DGS contacts the CDCR supervisor of the assigned driver to clarify any exceptions, and any unexplainable exceptions are reported to CDCR's Office of Internal Affairs.

Recommendation:

Each division should follow-up on any unexplainable exceptions reported by DGS, and take appropriate action for any misuse of the Voyager card.

OBS' Response:

OBS states that the proper handling of "unexplained exceptions" shall be addressed in the statewide training referenced previously.

OAC's Comments:

OAC concurs with OBS' response, but will perform a follow-up review to evaluate the adequacy of OBS' corrective actions taken.

Undercover License Plated Vehicles and A-Cards

Undercover plated vehicles require that the driver possess a valid A-card (Department of Motor Vehicles Form INV 171) per California Vehicle Code 5001 – 5002, which covers license plates for vehicles exempt from registration fees (law enforcement agencies). The A-cards are provided to AMU by DGS for issuance to employees designated to operate a vehicle bearing non-exempt license plates. Undercover plates are requested by AMU through DGS and DGS processes the request through the Department of Motor Vehicles. When an employee is issued an undercover plated vehicle by DGS, they are required to present their A-card prior to issuance and delivery of the vehicle.

AMU could not provide an accurate inventory listing of undercover plated vehicles. The AMU's A-card database is incomplete, inaccurate, and unreliable due to the fact that AMU's records are outdated. Additionally, the DGS inventory did not contain the undercover plate's license number.

The vehicle survey requested employees with undercover plated vehicles to provide their A-card number. The survey responses received were incomplete and OAC was unable to obtain an accurate number of A-cards issued, along with being unable to verify that the employee had the appropriate permit for undercover plated vehicles.

In order to determine if CDCR is in compliance with A-card regulations, OAC would have to verify that the driver assigned to an undercover plated vehicle does in fact have a valid A-card. OAC did find that many of the Parole divisions do keep records of the Parole Agent's A-card number and the vehicle license plates (undercover).

Recommendation:

It should be the responsibility of the division's supervisors and managers to verify that the drivers of the undercover plated vehicles have the appropriate permit. In addition, AMU should update their A-card database.

OBS' Response:

OBS states that it updates the A-card database whenever there is a request for or a change in undercover plated vehicle assignments. Additionally, undercover plated vehicle permits will be addressed in the policies, procedures, user handbook, and statewide training currently being developed.

OAC's Comments:

OAC does not agree with OBS' claim that the A-card database is updated upon each request. During the review OAC found that the database was very outdated. OAC recommends that a complete inventory of A-cards be taken as soon as possible to ensure compliance with the California Vehicle Code 5002.

Parking Permits

OAC was not provided with all of the invoices for parking permits and parking spaces. Therefore, the auditors were unable to complete this portion of the review.

Recommendation:

It is recommended that this portion be completed at a later date, once the invoices are provided.

OBS' Response:

OBS and Accounting will comply and be fully engaged with any future audits regarding parking permits.

OAC's Comments:

OAC concurs with OBS and Accounting's response.

Taxable Fringe Benefits Reporting

OAC was unable to complete this portion due to time restrictions and lack of available CDCR policies and procedures.

Recommendation:

It is recommended that this portion be completed at a later date.

OBS' Response:

OBS states that CDCR is in partnership with the State Controller's Office in providing information to the Internal Revenue Service (IRS) that is essential for the IRS to conduct an audit regarding tax reporting associated with personal use of State vehicles.

OBS and Accounting will also comply with and be fully engaged with OAC on any future audits regarding taxable fringe benefits.

OAC's Comments:

OAC concurs with OBS and Accounting's response.

State of California Fleet Handbook, A Guide to Fleet, Travel, and Parking Policies, states in part:

Page 1:

“BACKGROUND

The State of California’s quasi-centralized fleet management practices began in 1950 with legislation directing the Department of Finance to control the acquisition of all motor vehicles and general use mobile equipment for the executive branch of government. Those policies – which were later transferred to the Department of General Services (DGS) – have expanded over the years to employ more rigorous fleet management practices, reduce the state’s dependence on petroleum, better protect the environment, and oversee employee parking and business travel. The DGS Office of Fleet and Asset Management (OFAM) take the lead role in managing the state’s transportation strategy.

STATE AGENCIES THAT ARE SUBJECT TO FLEET RULES

State agencies are defined by Government Code Section 11000, and include an agency, department, commission, board, association, center, authority, conservancy, corps, program or system and each campus of the California State University.

FLEET ASSET OVERSIGHT

The following motor vehicles and general use mobile equipment are subject to OFAM oversight: Motor Vehicles A vehicle that is self-propelled and registered by the Department of Motor Vehicles for street use”

Page 2:

“OVERVIEW OF SERVICES

Fleet Management – The State Fleet Asset Management Program provides a variety of services to meet the needs of policy makers and those agencies operating California’s multi-billion dollar fleet, including:

- 1) Oversight of fleet acquisitions.
- 2) Establishment of fleet policies.
- 3) Collection, analysis and reporting of fleet data.
- 4) Periodic assessment of fleet size and composition.
- 5) Control of on-going fleet costs.
- 6) Ensure California’s compliance with federal alternative fuel vehicle mandates.”

Page 5:

“VEHICLE RENTALS AND LEASES FROM A STATE GARAGE

. . . rent vehicles on a short-term basis . . . lease DGS vehicles on a long-term basis . . . Present a valid A-card if an undercover plated vehicle is requested (CVC [California Vehicle Code] 5002). Drivers shall report beginning and ending mileage to dispatching garage or on-line at . . . by the fourth working day of each month on vehicles leased from OFAM. (On-line submission by fifth working day of each month) Failure to report

mileage by the fourth working day of the month will result in a \$50 charge to the agency.”

Page 6:

“MISUSE OR NEGLIGENCE OF DGS VEHICLES

State agencies are responsible for ensuring that DGS vehicles are used appropriately by their employees. Costs incurred to DGS vehicles due to employee abuse, negligence, misuse, lack of training, or violations of the California Vehicle Code, may be billed back to the agency. Employees may be subject to discipline by their agency as a result of the misuse of state vehicles State agencies and all state employees are responsible for knowing and following state fleet rules, including, but not limited to the following:

1. State motor vehicles shall be used only in the conduct of state business.
2. Commuting in state vehicles is allowed only in compliance with specific guidelines and all costs must be reimbursed to the state.
3. A Home Storage Permit is required if a state vehicle is frequently kept overnight at or in the vicinity of an employee’s home
4. State agencies and employees are responsible for properly reporting personal use of state provided vehicles, considered compensation by the Internal Revenue Service and Franchise Tax Board”

Page 8:

“MONTHLY TRAVEL LOGS

State agencies are responsible for ensuring a Monthly Travel Log, STD 273, is completed on all state motor vehicles.”

Pages 9 and 10:

“OFFICIAL STATE OF CALIFORNIA FLEET CARD

The Official State of California Fleet Card (Voyager) is for official state business only and can be used for the following: Purchase of regular unleaded fuel, alternative fuels, fluids and lubricants When purchasing fuel, drivers are required to purchase regular grade (unleaded) fuel only at self-service pumps, (refer to SAM Section 3687.1) Emergency purchases such as wiper blades, a fan belt, a tire, in urgent situations only. 24-hour Emergency Roadside Service (1-800-600-6065). Two basic (low-cost) car washes per month. Oil change services at Jiffy Lube. Fleet cards cannot be used for personal vehicles.

Agency-Owned Vehicles

Each state agency is required to set-up their Voyager fleet card account. It is the responsibility of the agencies to manage, control and monitor the use of their fleet cards and to investigate misuse

DGS Vehicles

Unauthorized charges on fleet cards belonging to DGS vehicles will be charged back to the state agency. It is the state agency’s responsibility to recover inappropriate charges

from the driver (refer to State Administrative Manual (SAM), Section 3687.1 and Section 4108)....Fleet cards shall only be used for the vehicle which they are assigned.”

Page 11:

“HOME STORAGE

State agencies are responsible for monitoring, approving, and maintaining current Vehicle Home Storage Permits, STD. 377, for the storage of state-owned motor vehicles at or in the vicinity of an employee’s home. State agencies and employees are responsible to comply with all laws, rules and regulations governing the home storage of a state motor vehicle which may result in a taxable event for the employee. The STD. 377 is signed and approved by the supervisor, and agency head, deputy or chief administrative officer. The criteria for home storage permits are contained within the California Code of Regulations Title 2, Sections 599.808: The OFAM requires an annual report from state agencies on all home storage permits.”

SAM

SAM, Section 4100, Introduction and Garage Operations, states in part: “The Department of General Services (DGS) Office of Fleet Administration (OFA) is responsible for the establishment, implementation, and maintenance of policies and procedures governing state-owned mobile equipment...Services provided include daily and long-term vehicle rentals and vehicle maintenance, vehicle repairs in all state garage locations, fuel card management...vehicle purchase reviews....”

SAM, Section 4107, Travel Logs, states: “Agencies/departments will maintain a Monthly Travel Log form, STD. 273, on all state-owned passenger mobile equipment except for motorcycles, trucks over $\frac{3}{4}$ ton, and heavy equipment. See DPA [Department of Personnel Administration] Section 599.807 and OFA State Fleet handbook.”

SAM, Section 4108, Fuel Card Management, states: “It is the responsibility of agencies/departments to review gasoline credit card charges and monthly billing statements in order to reduce unnecessary and improper charges. Agencies/departments shall pursue recovery of unauthorized charges.”

SAM, Section 4109, Home Storage, states: “Storage of state-owned mobile equipment at an employee’s residence on a regular basis requires an approved Vehicle Home Storage Request/Permit form, STD. 377, be on file with the employee’s department. Annual renewal of STD. 377 is required. See DPA Section 599.808 and OFA State Fleet Handbook.”

Government Code (GC)

GC, Section 11000, states in part: “(a) As used in this title, “state agency” includes every state office, officer, department, division, bureau, board, and commission...”

GC, Section 19993.1, states: “State-owned motor vehicles shall be used only in the conduct of state business. State business shall include the operation of state-owned vehicles as commute vehicles in a carpool or vanpool program authorized by a state agency, provided that a daily, weekly, or monthly fee is charged that is adequate to reimburse the state for the cost of providing such vehicles for such purposes. No state officer or employee shall use, or permit the use of, any state-owned motor vehicle other than in the conduct of state business.”

GC, Section 19993.6, states in part: “The department, upon its own initiative, may suspend from state service without pay for a period not exceeding 30 days, any officer or employee of this state exempt from civil service for violating this chapter or the rules and regulations adopted pursuant thereto...”

CCR, Title 2

CCR, Section 599.802, Misuse, states: “Misuse of a state-owned vehicle includes:

- a) When driven or used otherwise than in the conduct of state business.
- b) When driven to or from the employee’s home or the vicinity thereof after completion of the employee’s workday, unless:
 - 1) departing upon or returning from an official trip away from the employee’s headquarters under circumstances which make it impracticable for the employee to use other means of transportation, or where the employee’s home is reasonably enroute to or from his headquarters or other place where his/her is to commence work the following workday.
 - 2) the vehicle is to be used by him/her in the conduct of state business on the same day or before his/her usual working hours on his/her next succeeding work day and where such later use has been authorized in writing in advance by his/her agency head or his/her duly authorized representative. The mere possibility that vehicle may be used outside of business hours by an employee “on call” does not qualify under this subsection.
 - 3) no state garage facility is available.
 - 4) the employee is required to respond to urgency or emergency calls outside of his/her regular working hours, reasonably requiring the use of a state-owned vehicle.
- A. the employee is required to work unplanned overtime with the result that no practical means of getting home is available to the employee.
- c) Carrying in the vehicle any persons other than those directly involved with official state business, except with the approval of the employee’s immediate supervisor for each trip.

- d) Using the vehicle for other than those personal needs directly essential to carrying out the official business such as obtaining food or lodging.”

CCR, Section 599.803, Actual Costs and Liability, states in part: “(a) Liability for Actual Costs. An employee shall be liable to the State for actual costs to the State attributable to his/her misuse of a state-owned motor vehicle. Where, however, and to the extent that a superior directs the misuse, the superior and not subordinate shall be liable...”

CCR, Section 599.807, Automobile Travel Logs, states in part: “Each state agency shall maintain the following records for state-owned automobiles under its control....(a) an automobile travel log for each automobile in a form approved by the Department of General Services...(b) Such logs shall be retained by the agencies owning automobiles and shall be available for review by the Department of General Services upon request....”

CCR, Section 599.808, Storage of State-Owned Motor Vehicles, states in part: “(d) When a state-owned vehicle is to be stored frequently at or in the vicinity of an employee’s home, regardless of the reason, a permit must be obtained in advance from his/her department...For the purpose of enforcing this rule, “frequently” is defined as storing a state-owned vehicle at an employee’s home, or in the vicinity thereof, for more than 72 nights over a 12-month period or more than 36 nights over any three-month period.”

CCR, Title 15

CCR, Section 3408, Vehicles, states: “Employees must use state vehicles for official business only and as specifically authorized by the warden, superintendent or regional administrator. Employees must not allow an inmate to drive a vehicle on a public road, except in extreme emergency, and must report such instance to the employee’s supervisor immediately following the emergency.”

DOM

DOM, Section 22020.12, Use of State-Owned Automobile, states: “In order to eliminate any misunderstanding concerning authorized use of State-owned automobiles, the following sections are established as a guide:

- Improper use of State-owned vehicles shall be cause for adverse personnel action.
- State-owned vehicles, as a general rule, shall not be driven to or from an employee’s home unless:
 - The employee is departing on or returning from an official trip away from headquarters before or after normal working hours.

- The employee's home is reasonably en route to or from his/her headquarters or other place where he/she is to commence work.
- The vehicle is used continuously for two or more days to conduct State business.
- The employee has completed a work day and the vehicle is to be used in the conduct of State business on the same day or before his/her usual working hours the next day.
- No State garage facility is available.
- The vehicle is being operated as a van pool or a reimbursed basis between employees' homes and places of employment."

DOM, Section 22020.13, Home Storage Vehicle Permit, states: "When an employee is required by his supervisor to store a State vehicle at his/her home or vicinity thereof in order fulfill his/her civil service duties on a frequent basis, a permit must be issued in advance by the Department.

Frequent, as defined and stated above, shall be 72 nights at home in a 12-month period or more than 36 nights at home over a three-month period, or as permitted under DPA 599.808.

Wardens, the Deputy Director, Institutions Division, and active case carrying agents of the P&CSD [Parole and Community Services Division (now called DAPO)] shall use the following procedures in securing HSPs.

- A Home Storage Request/Permit, Office of Fleet Administration (OFA) Form 77 shall be completed by the Warden or Deputy Director, Institutions Division.
- Vehicle travel logs, completely and accurately filled out, that covers the three prior calendar months are to be attached to the request.
- The request shall be submitted to Headquarters, BSS [Business Services' Section (now called ASD)], for coordination of the review and approval process.
- If the request lacks sufficient information, it will be returned for completion and resubmission.
- If the request is approved, a copy of the approved OFA Form 77 will be returned to the requestor.

The approved OFA Form 77 will serve as the permit and shall automatically terminate one year from the date of issuance and may be renewed at the discretion of the Department."

DOM, Section 22020.14, Authorization to Operate Unmarked State Vehicle, states in part: "Employees required to drive unmarked state vehicles in the performance of their official duties are required to submit a memorandum. The memorandum shall contain their name, position, division, job duties, and unit, addressed to The Director and submitted to Contract and Business Service Branch, ASD [Administrative Services Division], as soon after their appointment as possible....Blanket authorization has been

granted for all case-carrying Parole Agents by the YACA [Youth and Adult Correctional Agency (now called Division of Juvenile Justice (DJJ))] and the Governor's Office...."

DOM, Section 22020.15, Assignment of a State Vehicle, states in part: "DGS pool vehicles may be obtained from any local state garage or airport pool for a maximum of two weeks per assignment.

State vehicles may be assigned on a long-term basis when it is determined that a short-term rental may hinder the performance of an employee's official duties and those duties will exceed a two-week period...."

MOU, Bargaining Unit 6 (BU 6), Article XIX

MOU, BU 6, Section 19.03, CDC [California Department of Corrections] PA [Parole Agent] Work Week, G. Travel Time, states in part: "4. the Department shall enforce the forty (40) mile resident limit for all PAs with a home storage permit, except for the following counties: San Mateo, San Francisco, Monterey, Alameda, Santa Clara and Los Angeles will have a sixty-five (65) mile resident limit..."

MOU, BU 6, Section 19.07, CDC PA's Use of State Vehicles, states in part: "Assigned state vehicles for home storage for all CDC Pas I, II and Parole Service Associates (PSA) assigned to institution-based revocation units, gang coordinators, jail liaison duties, INS [Immigration and Naturalization Services]/Depart Units, non-case carrying re-entry duties, Interstate Unit, Regional/Parole Headquarters, administrative or special assignments shall be subject to local agreements in each region.

- B. State vehicles may be made available for those parole staff at their work locations for use during the scheduled work day. A parole staff person, with prior supervisory approval, may be permitted temporary overnight home storage of a state vehicle based on workload or operational needs.
- C. Specially funded programs which provide state vehicles for PAs I and II are excluded from this provision."

GLOSSARY

| | |
|------------------|--|
| AMU | Asset Management Unit |
| ASD | Administrative Services Division |
| BSS | Business Services' Section (now called ASD) |
| BU | Bargaining Unit |
| CCF | Community Correctional Facilities |
| CCR | California Code of Regulations |
| CDC | California Department of Corrections (now called CDCR) |
| CDCR | California Department of Corrections and Rehabilitation |
| CVC | California Vehicle Code |
| DAPO | Division of Adult Parole Operations |
| DGS | Department of General Services |
| DJJ | Division of Juvenile Justice |
| DOM | Department Operations Manual |
| DPA | Department of Personnel Administration |
| GC | Government Code |
| HSP | Home Storage Permit |
| INS | Immigration and Naturalization Services |
| IRS | Internal Revenue Service |
| MOU | Memorandum of Understanding |
| OAC | Office of Audits and Compliance |
| OBS | Office of Business Services' |
| OFA | Office of Fleet Administration |
| OFAM | Office of Fleet and Asset Management - DGS |
| P&CSD | Parole and Community Services Division (now called DAPO) |
| PA | Parole Agent |
| PSA | Parole Service Associate |
| SAM | State Administrative Manual |
| STD 477 | Home Storage Permit |
| Voyager | State of California Fleet Card |
| YACA | Youth and Adult Correctional Agency (now called DJJ) |

Memorandum

Date : March 2, 2010

To : Richard C. Krupp
Assistant Secretary
Office of Audits and Compliance

Subject: **RESPONSE TO AUDIT REPORT – UTILIZATION OF STATE VEHICLE REVIEW**

This memorandum and attachments constitutes the California Department of Corrections and Rehabilitation's (CDCR) formal response to the Office of Audits and Compliance's (OAC) preliminary report entitled, "Utilization of State Vehicle Review" dated September 2009. Your report has provided invaluable information that will help improve our ability to manage CDCR's fleet of State vehicles.

It is with regret that we acknowledge that CDCR must do a better job in effectively managing its State vehicles as described in OAC's preliminary report. To that end, the attached document responds to each of the recommendations contained in OAC's report.

On page three of the report it portends that the Office of Business Services (OBS) has been responsible for oversight and for CDCR's State vehicle activities. It is important to clarify that OBS' role was expanded in November 2009 to fulfill that role. It should also be noted that OBS was not resourced for these additional responsibilities and, therefore, OBS internally redirected resources to assume this work.

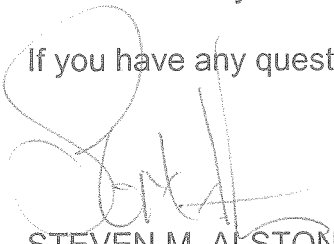
OBS has developed a corrective action plan (CAP) designed to address all of the deficiencies and ensure the cost effective maximum utilization of vehicles and Vehicle Home Storage Permits (VHSP). Once fully implemented the CAP will result in the following:

- Creation and maintenance of an accurate inventory database for vehicles and VHSPs;
- Centralized administration of CDCR's entire fleet of vehicles;
- Reconciliation of CDCR's vehicle database with the Department of General Services' Fleet Asset Management System;
- Development, publication and implementation of vehicle and VHSP policies and procedures covering the issuance and continued use of both;
- Cost savings through fleet reduction, improved record keeping and invoice approvals;

- Development of training curriculum for all individuals assigned a State vehicle and/or VHSP;
- Improved business processes for the acquisition of additional and replacement vehicles; and,
- Ensure all vehicles and VHSP reports are submitted to control agencies on time.

Lastly, CDCR plans on implementing the Fleet Management and Reporting functions of Business Information System (BIS) within two years. This feature will enhance and automate many of CDCR's fleet management operations.

If you have any questions, please contact me at (916) 255-6209.



STEVEN M. ALSTON
Deputy Director
Office of Business Services

Attachment

cc: Mary S. Fernandez
Lee Seale
Lori Gillihan
Dave Lewis
Tim Gilpin

CDCR Response to OAC Utilization of State Vehicle Recommendations

CDCR's Vehicle Management

"Establish a CDCR fleet policy containing clear guidelines, laws, rules and regulations in order to strengthen the internal controls and accountability over the fleet management program." (Page 7)

Although CDCR has lacked a central repository of fleet policies and guidelines, the Department has continued to provide clear direction on the proper use of State vehicles. On August 3, and August 31, 2009, for example, Brett Morgan, Chief of Staff, issued separate memorandums (copies attached) to CDCR employees statewide regarding the proper use of State vehicles. Similarly, Mary Fernandez, Undersecretary, Administration issued a memorandum to CDCR's extended executive staff on January 6, 2010 (copy attached) regarding Vehicle Home Storage Permits (VHSP).

The Office of Business Services (OBS), in partnership with its stakeholders, is developing statewide policies, procedures, an on-line users' manual and a training plan to address all issues relative to vehicle and VHSP policies. OBS has also met with CDCR's Regulations and Policy Management Branch representatives and have agreed that a section dedicated to vehicles and VHSP will be added to CDCR's Department Operations Manual (DOM). It is anticipated that this effort will be complete during the current calendar year.

"Establish a fleet unit within the AMU that is solely responsible for monitoring, approving and managing all fleet issues for every CDCR division, along with providing training to CDCR staff." (Page 7)

On October 26, 2009, a briefing entitled, "Vehicles; Accomplishments & Opportunities" was presented to CDCR's Cabinet, which included the following recommendations:

- CDCR Centralization of Vehicle Management.
- Creation of a Clean "Self-Service" Vehicle Inventory Database.
 - Once established it will be the responsibility of the programs, institutions, and facilities to update their information in the database monthly.
- Establish an accurate statewide VHSP inventory.
- Develop and Implement a Statewide Training Program.
 - Training to be completed by an employee upon vehicle or VHSP assignment.
 - Training to be made available on-line as a refresher to those employees previously assigned a vehicle or VHSP.

As a result of the October presentation, OBS was assigned the responsibility to establish a centralized unit to administer CDCR's vehicle fleet and VHSPs. OBS developed a corrective action plan and has redirected 14 positions to complete the following tasks this calendar year:

- Establish a centralized fleet unit;
- Collect vehicle and VHSP data statewide;
- Reconcile vehicle and VHSP data with the DGS;
- Develop and publish policies and procedures for statewide application;
- Create users' manual; and,
- Conduct necessary training.

Survey Reconciliation

"AMU should designate a contact person within each CDCR division responsible for maintaining an on-going inventory and documenting any changes to the assigned vehicles." (Page 9)

The policies and procedures being developed by OBS includes a "contact person within each CDCR division responsible for maintaining an on-going inventory" of assigned vehicles. A critical element to the training curriculum being developed is specifically for the single points of contact, which explains their roles and responsibilities.

As part of CDCR's effort to ensure vehicles within its fleet meet optimum utilization, a memorandum was issued on January 4, 2010 (copy attached) providing clear direction on the importance and associated due dates for completion of the Passenger Vehicle Usage Report. The data is submitted to the Department of General Services (DGS) every six months and is used internally to evaluate vehicle usage. It should be noted, this effort also includes identification of those vehicles to be removed from CDCR's inventory and returned to DGS for further handling. In connection with that effort CDCR recently transferred 91 vehicles to DGS and has surveyed and additional 263 vehicles to be transferred in the near future.

The corrective action plan includes a CDCR vehicle inventory reconciliation with DGS' Fleet Asset Management System (FAMS), which will be completed this calendar year. Once the reconciliation is complete it will be the responsibility of programs and institutions to update their portions of the inventory every month.

Department of General Services Lease Vehicle Invoices

"Each division, which is designated by a billing code, should monitor and verify the accuracy of the DGS charges each month against their division, and any discrepancies should be reported to AMU." (Page 10)

The policies, procedures and training being developed by OBS will include the roles and responsibilities regarding proper invoice review and approval.

Home Storage Permits

“CDCR should establish policies and procedures for the home storage permits’ program to ensure compliance with State laws, rules and regulations. The AMU should ensure that a home storage permit is not issued until it meets compliance with the new CDCR policies and procedures.” (Page 11)

As stated in Secretary Matt Cate’s memorandum of July 16, 2009 (copy attached) it is CDCR’s policy “to authorize the home storage of State vehicles only when permitted by law and supported by the best interest of the State and CDCR” as provided for in the California Code of Regulations, Title 2. Consequently, to be eligible for a VHSP, an employee must either:

- Regularly respond to emergency calls outside of his or her normal working hours, which reasonably requires the use of a State vehicle; or,
- Use a State vehicle so frequently and under such conditions that it is not practicable for the employee to receive or return a State vehicle during normal working hours.

These policies were reiterated in a similar memorandum from Undersecretary Mary Fernandez dated January 6, 2010 (copy attached). In that letter, CDCR was directed to provide OBS with copies of all VHSPs to ensure that CDCR complied with Title 2, Section 599.808 of the California Code of Regulations, which states in part, “permits will be available for review by the Department of General Services.” The memorandum also stated, “State vehicles stored at or in the vicinity of an employee’s home without a VHSP on file with OBS will be considered a misuse of State property.”

Currently, OBS in partnership with other stakeholders is developing additional CDCR specific policies and procedures addressing all issues relative to VHSP, which shall be incorporated in the CDCR’s DOM.

OBS will also develop an on-line “one stop shop” for CDCR employees, which will be an on demand source of information, training and related forms.

All of the above is expected to be completed this calendar year.

Voyager Fleet Card – Owned

“CDCR’s Accounting Office should establish a policy or procedure for the divisions using the Voyager cards, and verify the accuracy of monthly charges prior to payment of the invoices.” (Page 13)

CDCR’s Accounting Office is working with Voyager to try to obtain electronic copies of the invoices. If they are successful in that effort, they will be developing policies and procedures that will accomplish the following:

- Prompt payment of Voyager billings;
- Electronic billing from Voyager to provide online access to more closely monitor charges; and,
- Electronic Voyager invoices will be sent to appropriate facilities, institutions and programs for quick review and verification of charges.

Invoice review and approval will also be addressed in the statewide training referenced earlier in this response.

Voyager Fleet Card - Leased

“Each division should follow up on any unexplainable exceptions reported to DGS and take appropriate action is taken for any misuse of the Voyager card.” (Page 13)

The proper handling of “unexplainable exceptions” shall be addressed in the statewide training referenced earlier in this response.

Undercover License Plated Vehicles

“It should be the responsibility of the division’s supervisors and managers to verify that the drivers of the undercover plated vehicles have the appropriate permit. In addition, AMU should update their A-card database” (Page 14)

OBS updates its A-card database whenever there is a request for or a change in undercover plated vehicle assignments. Undercover plated vehicle permits will be addressed in the policies, procedures, user handbook and statewide training currently being developed by OBS.

Parking Permits

“It is recommended that this portion be completed at a later date, once the invoices are provided” (Page 14).

OBS and Accounting will comply and be fully engaged with any future audits regarding parking permits.

Taxable Fringe Benefits

"It is recommended that this portion be completed at a later date" (Page 14).

CDCR in partnership with the State Controller's Office is providing information to the Internal Revenue Service (IRS) that is essential for the IRS to conduct an audit regarding tax reporting associated with personal use of state vehicles.

OBS and Accounting will also comply and be fully engaged with OAC on any future audits regarding taxable fringe benefits.

Memorandum

Date: August 3, 2009

To: CDCR Employees Statewide

Subject: **STATE VEHICLE REQUIREMENTS**

This memorandum is to notify all California Department of Corrections and Rehabilitation (CDCR) employees of 1) the process to return assigned State vehicles as outlined in the Home Storage Policy memo issued by Secretary Matthew Cate on July 16, 2009 (see Attachment A); 2) the exemption process to request an assigned vehicle for those employees who do not meet the criteria specified in Attachment A; 3) the requirement for all assigned vehicles retained to have a current vehicle home storage permit on file; and 4) the process for utilizing pool vehicles.

Returning Assigned Vehicles

All employees turning in an assigned State vehicle must contact the Asset Management Unit (AMU) by August 15, 2009, to coordinate return of the vehicle. Additionally, if you are reassigning an assigned vehicle to a pool vehicle, please notify AMU of this change by August 15, 2009, so departmental records can be properly updated. Once you have contacted AMU, please complete the attached State Vehicle Return Form, Attachment B, and email it to the following addresses: amu@cdcr.ca.gov and acctsvs@cdcr.ca.gov. As assigned cars are returned, AMU will ensure vehicle home storage permits are cancelled and address issues related to cold plates and emergency response equipment as appropriate.

Exemption Request Process

All requests for exception to the eligibility requirements set forth in the aforementioned Home Storage Policy memo must be submitted on the attached State Vehicle Exemption Request Form, Attachment C, and approved at the Chief Deputy Secretary level. The approved form must be forwarded to AMU via email at amu@cdcr.ca.gov and acctsvs@cdcr.ca.gov or faxed to (916) 445-8562, attention John Lizzaraga.

Vehicle Home Storage Permit Requirements for Retained Vehicles

All employees retaining or receiving an assigned State vehicle that will be stored at an employee's home, or in the vicinity thereof, for more than 72 nights over a 12-month period or more than 36 nights over any three-month period, must have a current Vehicle Home Storage Permit, Attachment D, on file with AMU. The permit remains in effect for one year; therefore, it is the employee's responsibility to

complete and submit a new form annually. If you currently do not have a permit on file, please complete the form, obtain a director-level signature and return the original form to the CDCR, Asset Management Unit, 1515 Street, Sacramento, CA 95811, Attention: John Lizzaraga, by August 15, 2009.

Pool Vehicles

Information regarding the Department's pool vehicle policy and procedures are forthcoming. In the interim, if you need a vehicle to conduct State business and you do not have access to a pool vehicle, you may reserve one through the Department of General Services, Office of Fleet and Asset Management (OFAM).

Please visit the OFAM vehicle reservation page at <http://www.ofa.dgs.ca.gov/VehicleResv/default.htm>. As previously mentioned, if you are turning an assigned vehicle into a pool vehicle, please contact AMU by August 15, 2009.

Thank you for attention and compliance with this directive. If you have any questions, please contact AMU at amu@cdcr.ca.gov, John Lizzaraga at (916) 445-6590, Toshi Cordova, at (916) 323-3620 or Cliff Frazier, Chief, Business Operations Section, at (916) 323-4186.



BRETT MORGAN
Chief of Staff

Attachments

cc: Mary S. Fernandez
Lori Gillihan
Steve Alston
Cliff Frazier
Tara Naisbitt
John Lizarraga

Memorandum

Date : August 31, 2009

To : CDCR Employees Statewide

Subject: STATE VEHICLES MILEAGE LOG REQUIREMENTS

This memorandum is to remind all California Department of Corrections and Rehabilitation (CDCR) employees that it is mandatory to fill out a mileage log by the fifth working day of each month for vehicles leased from Department of General Services (DGS), Office of Fleet Administration (OFA). In accordance with the State Administrative Manual (SAM) Section 4100, State vehicle usage is subject to DGS-OFA oversight and it is the responsibility of agencies and departments to ensure the proper use of State-owned mobile equipment (SAM 4105, Government Code Section 19993.2 and Department of Personnel Administration (DPA) Section 599.800).

CDCR employees must complete and retain a Monthly Travel Log form, STD. 273, on all State motor vehicles. Exceptions are motorcycles, trucks over one ton, heavy equipment, and mobile equipment used solely on institution grounds, parks, and campuses (SAM 4107, State of California Fleet Handbook pages 5, 6 and 8). The STD 273 retention period is the current and preceding fiscal year (DPA 599.807). Additionally, on September 30, 2008, DGS mandated that for DGS leased vehicles, mileage must be recorded online by the 5th working day of the month to avoid a \$50 late fee per vehicle. The address of the electronic link to the OFA online mileage application is:

<http://www.webapps.dgs.ca.gov/ofa/mileagelog/>

CDCR receives a monthly bill from DGS detailing charges for not electronically submitting, or not timely submitting, the mileage logs for DGS leased vehicles. CDCR employees may be subject to disciplinary action for failing to properly maintain a vehicle log and failure to comply with the DGS reporting requirements for leased vehicles, and may be billed for any mileage log fines that CDCR incurs for the late reporting.

Thank you for your attention and immediate compliance with these vehicle requirements. If you have further questions, please contact Timothy Gilpin, Associate Director of Accounting, at (916) 255-5740.



BRETT H. MORGAN
Chief of Staff

cc: Timothy Gilpin

Memorandum

Date : January 6, 2010

To : CDCR EXTENDED EXECUTIVE STAFF

Subject: VEHICLE HOME STORAGE PERMITS

The Division of Support Services, Office of Business Services (OBS), is responsible for managing the California Department of Corrections and Rehabilitation's (CDCR) vehicle fleet and vehicle home storage permits (VHSP) to ensure CDCR's compliance with mandated requirements.

Pursuant to Title 2, Section 599.808 of the California Code of Regulations, "When a state-owned vehicle is to be stored frequently at or in the vicinity of an employee's home, regardless of the reason, a permit must be obtained in advance from his/her department." For the purpose of enforcement, "frequently" is defined as more than 72 nights over a twelve-month period or more than 36 nights over any three-month period. The section further provides that, "the permit must be signed by the department head, a deputy, or the chief administrative officer" and that "permits will be available for review by the Department of General Services" (DGS). In accordance with the above regulation, completed Vehicle Home Storage Request/Permits (DGS Form STD 377) must be approved at the following levels: for the Division of Adult Institutions, Associate Director or above; for the Division of Adult Parole Operations, Regional Administrator or above; and for all others, Director level or above.

It is required that an electronic or hard copy of all approved VHSPs be transmitted to Lucy Fong, Project Manager, OBS, no later than Monday, February 1, 2010. Only VHSPs on file with OBS by February 1, 2010 will be considered valid. State vehicles stored at or in the vicinity of an employee's home without a VHSP on file with OBS will be considered a misuse of State property.

If you have any questions, please contact Ms. Fong at (916) 255-6212.



MARY S. FERNANDEZ
Undersecretary, Administration

cc: Lucy Fong

Memorandum

Date : January 4, 2010

To : SEE DISTRIBUTION LIST

Subject: PASSENGER VEHICLE USAGE REPORT

The purpose of this memorandum is to request vehicle utilization information for all vehicles leased from the Department of General Services (DGS), owned by the California Department of Corrections and Rehabilitation, and long-term commercially leased vehicles. In accordance with State Administrative Manual (SAM), Section 4106 and SAM Management Memo (MM 06-06), this memorandum is being directed to all Department institutions/facilities, offices, and divisions.

To ensure optimum utilization of State owned passenger mobile equipment, the STD. 276A *Passenger Vehicle Usage Report* and STD. 276 *Vehicle Usage Justification* shall be submitted to the Department of General Services Office of Fleet and Asset Management (DGS-OFAM) semi-annually. Each institution/program is required to track and report their vehicle usage. Please complete the vehicle usage reports per the instructions below for the reporting period of July 1, 2009 to December 31, 2009.

The STD. 276A is for listing all under-utilized vehicles only. The STD. 276 (Vehicle Usage Justification) is utilized to write a justification explaining why vehicles were under-utilized. Established vehicle utilization standards require that the following minimum mileage or workday usage be maintained for each reporting period.

The vehicle shall be driven at least 6,000 miles during the six-month reporting period; or, the vehicle shall be used at least 80 percent of the number of possible days (workdays) the vehicle was available within the six month reporting period. The term 'Available' is defined as a time period when an employee possessed the vehicle.

Follow the steps below to determine utilization:

1. Start with the vehicle mileage. If the mileage requirement is met, there is no need to determine the vehicle workday use percentage. If the mileage requirement is NOT met, the vehicle workday use percentage will need to be determined. To assist you with the calculations, follow step 2.

2. Take the total number of possible days the vehicle was used in the six month reporting period and divide it by the total number of days available during the same six month reporting period. (Example: 90 days used divided by 123 days available = .73 or 73 percent) It is important to note that single or multiple uses of a vehicle during the workday count only as one workday use. Convert the decimal number outcome into a percentage.
3. If the vehicle **does not** meet the minimum percentage, fill out the STD. 276A spreadsheet. For vehicles that are out of compliance, please include a specific plan of action to obtain compliance in the "Action Planned" section of the STD. 276A spreadsheet and complete a Vehicle Usage Justification (STD. 276) for each vehicle that fails to meet the usage standards identified above. Please see the attached samples of the STD. 276 and STD. 276A.
4. If all vehicles are **in compliance**, please submit a STD. 276A spreadsheet and indicate that *"All department-owned passenger vehicles, DGS leased, and/or long-term commercially leased vehicles assigned are in compliance with SAM, Section 4106 and MM 06-06"* in the *Action Planned* section of the form. Vehicles **in compliance** should not be included on STD. 276A or STD. 276 forms.
5. Please print and sign the STD. 276A spreadsheet and the STD. 276(s).

The STD.276 can be accessed at the Office of State Publishing website at <http://www.documents.dgs.ca.gov/osp/pdf/std276.pdf>. The STD. 276A spreadsheet is attached.

The Vehicle Management Unit (VMU) staff must collect all the forms and submit a report to DGS-OFAM for the entire department. Therefore, there will be no exceptions to the deadline. Please email the STD. 276 and the STD. 276A spreadsheet to the address OBS-VMU and return the original signed STD. 276 and STD. 276A via standard mail or interoffice mail no later than **January 21, 2010** to the address below.

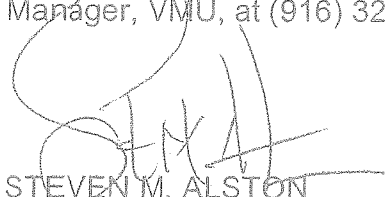
California Department of Corrections and Rehabilitation
Office of Business Services
Vehicle Management Unit
Attention: Linda Longmire
1515 S Street, Room 124-S
Sacramento, CA 95811

SEE DISTRIBUTION LIST

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There will be two teleconference calls explaining how to complete the form(s). The first teleconference call is for adult and juvenile facility representatives. This call will take place on Wednesday, January 6, 2010. The scheduled time is 10:00 A.M. to 10:45 A.M. The second conference call is for all remaining offices and divisions. This conference call is scheduled for Wednesday, January 6, 2010, at 11:00 A.M. to 11:45 A.M. These conference calls are only for the individuals responsible for completing the forms. For the participants calling in, please dial 9-1-(877) 771-7176 and enter access code #398312 to participate. As a courtesy, please remember to mute your phones during the conference call if you are not addressing the attendees. We will begin with explaining the process. Each program will then be allowed a period to ask questions as their facility/office is named at roll call.

If you require additional information, please contact Linda Longmire, Staff Services Analyst, VMU, at (916) 323-2897 or Linda.Longmire@cdcr.ca.gov or Sally Luna, Manager, VMU, at (916) 324-3665 or Sally.Luna@cdcr.ca.gov.



STEVEN M. ALSTON
Deputy Director
Office of Business Services

Attachments

cc: Sally Luna, Vehicle Management Unit
Linda Longmire, Vehicle Management Unit

DISTRIBUTION LIST:

Executive Staff Headquarters
California Health Care Services Division
Director, Juvenile Facilities and Headquarters
Regional Parole Administrators
Director, Juvenile Parole Operations
Associate Wardens Business Services
Correctional Business Managers
Procurement and Services Officers
CDCR vehicle liaisons

Memorandum

Date : July 16, 2009

To : CDCR Executive Staff

Subject: **POLICY GOVERNING THE HOME STORAGE OF STATE VEHICLES**

It is the policy of the California Department of Corrections and Rehabilitation (CDCR) to authorize the home storage of state vehicles only when permitted by law and supported by the best interests of the State and CDCR. The California Code of Regulations sets forth the applicable law governing the home storage of state vehicles. The best interests of the State and CDCR are served by providing employees the necessary tools to accomplish their jobs while protecting limited state resources.

The California Code of Regulations provides as follows:

"When a state-owned vehicle is to be stored frequently at or in the vicinity of an employee's home, regardless of the reason, a permit must be obtained in advance from his/her department. The permit must be signed by the department head, a deputy, or the chief administrative officer. . . . For the purpose of enforcing this rule, "frequently" is defined as storing a state-owned vehicle at an employee's home, or in the vicinity thereof, for more than 72 nights over a 12-month period or more than 36 nights over any three-month period." (Cal.Code.Reg., Title 2, Section 599.808.)

In accordance with the above regulation, a "Vehicle Home Storage Request/Permit" (DGS Form STD 377) must be submitted and approved by the employee's director, or equivalent, and submitted to Cliff Frazier, Chief, Business Operations Section, before a vehicle can be frequently stored at any location other than the employee's office or vehicle pool location.

The California Code of Regulations (Cal.Code.Reg., Title 2, Section 599.802) and the STD 377 set forth criteria governing the eligibility of home storage permits. Those criteria, in conjunction with the best interests of the State and CDCR, mandate the imposition of the following requirements that must be met before CDCR will approve a state vehicle home storage permit. Therefore, to be eligible for a home storage permit, an employee must either:

- regularly respond to emergency calls outside of his or her normal working hours, which reasonably requires the use of a state vehicle, or

- use a state vehicle so frequently and under such conditions that it is not practicable for the employee to receive or return a state vehicle during normal working hours.

In both cases, eligible employees cannot receive a home storage permit if they live further than 65 miles (measured as a straight line) from the employee's headquarters or primary work site.

Any request for an exception to the eligibility requirements set forth in this policy must be in writing and approved at the Chief Deputy Secretary level.

The appropriate Director or Assistant Secretary is responsible for ensuring every employee who is assigned a home storage permit is in compliance with this policy by August 1, 2009. Please ensure this policy is immediately disseminated to affected staff.

A memorandum regarding the process for turning in assigned state vehicles, canceling home storage permits, utilizing pool vehicles and headquarters parking passes will be forthcoming. If you are planning to turn in your state vehicle prior to the release of these instructions, please contact Cliff Frazier, at (916) 323-4186.

If you have any questions regarding the Home Storage Policy, please contact Steve Alston, Deputy Director of the Office of Business Services, at (916) 255-5624.



MATTHEW L. CATE
Secretary

cc: Cliff Frazier
Steve Alston